

**Standard USHC-5:** The student will demonstrate an understanding of major social, political, and economic developments that took place in the United States during the second half of the nineteenth century.

**USHC-5.1** Summarize developments in business and industry, including the ascent of new industries, the rise of corporations through monopolies and corporate mergers, the role of industrial leaders such as John D. Rockefeller and Andrew Carnegie, the influence of business ideologies, and the increasing availability of consumer goods and the rising standard of living. (E, H)

**Taxonomy Level:** 2.2 B Understanding/Comprehension

**Previous knowledge and future knowledge:**

In 5<sup>th</sup> grade, students were introduced to the Industrial Revolution in the United States. Emphasis was placed on new inventions and technologies, including new methods of mass production and transportation and the invention of the light bulb, the telegraph, and the telephone (5-3.1). They studied prominent inventors and scientists including Thomas Edison, Alexander Graham Bell, the Wright Brothers, and Albert Einstein (5-3.2).

In the 7<sup>th</sup> grade, students were introduced to the causes and course of the Industrial Revolution in Europe, Japan, and the United States, including the reasons that England was the first nation to industrialize, the impact of the growth of population and the rural-to-urban migration, the changes in the organization of work and labor, and the development of socialism (7-3.4). In 8<sup>th</sup> grade South Carolina history they studied the struggling industrial development of the state (8-5.1) and the changes that occurred in South Carolina textile industry during the late nineteenth century (8-5.3).

In 12<sup>th</sup> grade Economics, students will explain economic growth today and in the future. Understanding the factors that prompted economic growth in the late 19<sup>th</sup> century will lay a foundation for this understanding. Understanding the role of Rockefeller and Carnegie as entrepreneurs will enable students to explain the role of entrepreneurs in a market economy, including the costs and benefits of being an entrepreneur, the expectation of profit as the incentive for entrepreneurs to accept business risks, and the effect of changes in taxation and government regulation on entrepreneurial decisions (ECON-3.2). Understanding the increasing availability of consumer goods and its relationship to the rising standard of living in the nineteenth century will help students be able to explain the causes and effects of economic growth (ECON-3.3). Students will learn about the four key factors of production – land, labor, capital and entrepreneurship in Economics in 12<sup>th</sup> grade (ECON-1.3). Exposure to them in USHC 5.1 and USHC 5.2 will lay a foundation in specific historical content. They will also study the various functions and roles of the government in the United States economy, including regulating markets, maintaining and promoting competition in the market, protecting consumers' rights, and redistributing income (ECON-6.1). An introduction to why these roles are seen as an important function of the United States government because of the historical problems raised by monopoly in the 19<sup>th</sup> century will prepare students to better understand them in the 12<sup>th</sup> grade.

**It is essential for students to know:**

The **rise of corporations** should *not* be misunderstood to mean that corporations first came into being during the post Civil War period. Joint stock companies that invested in settlement were early corporations. Corporations were used in the pre-Civil War period as a means of raising enough capital through the sale of stock to invest in large scale business ventures. The corporation however did “rise” in the late nineteenth century in the sense that they became more powerful as they grew through **monopoly**

**and corporate mergers** and therefore had a greater influence on the economy, politics and government policy.

Factors of production that contribute to economic growth are land, labor, capital, technology and entrepreneurship. This indicator addresses technology and entrepreneurship. Indicator 5.2 addresses land, labor and government actions. Indicator 5.2 could be addressed before Indicator 5.1 since it suggests a bridge from the pre-Civil War period by focusing on the government actions that promoted economic growth such as subsidies for railroad and free land.

**New industries** rose to prominence in the period. The railroad was the economic engine that drove the economy. The establishment of several transcontinental routes in the period after the Civil War helped to unite the country and promote economic growth and the development of a national market. The industry's need for steel rails, wooden railroad ties and railroad cars and its ability to transport goods contributed to the growth of the steel, the lumber, the meat packing, and the coal industries. The railroad brought new settlers through aggressive advertising and land sales and provided farmers' access to markets. New towns grew along its routes and older ones were able to specialize in particular products. Competition caused some railroads to be forced to merge with others to survive. When the cut-throat competition drove some railroad companies into bankruptcy the national economy was thrown into depression.

Entrepreneurs used new technologies and new business tactics to create large corporations that controlled their industry. The Bessemer process and astute business practices prompted the ascendancy of **Andrew Carnegie** to control of the steel industry through a vertical integration of his business that gave him a monopoly. Carnegie controlled the steel industry from the mining of iron ore and coal to the steel mill. **John D. Rockefeller** used a variety of tactics in his struggle against the competition for control of the oil industry. He forced railroads to give him kickbacks and rebates that hurt his competitors. He controlled retail outlets and forced them not to sell the products of his competitors. He undersold the market until he drove his competition out and then increased the price of oil. He initiated the business device known as the trust to gain control of the oil refining industry through a horizontal integration. When the trust was limited by the Sherman Anti-Trust Act, he turned to the holding company to continue his monopoly. Whether the business leaders in this period should be labeled robber barons or captains of industry can be debated. It is important for students to understand that unfettered competition led to economic uncertainty and eventually to a public call for government regulation of industry that was answered with the Sherman Anti-Trust Act.

Captains of industry justified their sometime-use of cut-throat practices with the **ideologies** of Social Darwinism and *laissez faire* capitalism. However they also advocated government protection of the rights of management against labor and called for high tariffs to protect their monopolies. Popular literature such as the Horatio Alger stories of "rags to riches" success provided support for the myth that anyone could make it if they worked hard enough. Carnegie improved his public image with his advocacy of the Gospel of Wealth and gave away millions to libraries and universities

Despite the higher prices that monopolies were able to charge for their product, the period ushered in a **rise in the standard of living** and many **new consumer products** for many Americans. The harnessing of electricity and the invention of the typewriter and the telephone provided new opportunities for women in the workplace and new conveniences in the home. Deflation and mass production lowered the price of goods. Although mass production was in use in this time period, the assembly line was not introduced until 1913 by Henry Ford. This is a common confusion that should be avoided.

### **It is not essential for students to know**

It is not necessary for students to know about the impact of the railroad on standardization of time, the routes or the names of the specific railroads that crossed the continent nor the exact date of completion of the first transcontinental route. They do not need to know that the depressions of the late nineteenth century took place in 1873, 1884 and 1893. They need not remember all of the industries that developed monopolies such as the Lumber Trust, the Coal Trust, the Sugar Trust, the Meat Packing Trust etc.

They need not remember the court cases that undermined the impact of the Sherman Anti-Trust Act such as *E.C. Knight* or the failure of the great majority of the cases brought by the government against the monopolies in the 1890s. They need not know the advantages of incorporation: permanence, person, protection from liability, nor that the monopolies defended themselves in court under the provisions of the 14<sup>th</sup> amendment that guaranteed to any legal person the right to due process. While African- Americans were losing cases [*Plessy v Ferguson*] based on the 14<sup>th</sup> amendment that was originally designed to protect them, corporations were taking advantage of their status as a legal person to utilize an amendment not written for them and winning their cases. They need not know the background of the application of Charles Darwin's ideas of natural selection in the *Origin of Species* to society such as the names of Herbert Spenser and William Graham Sumner.

### **Assessment guidelines:**

Appropriate assessments will require students' to **summarize** the development of the new industrial organizations of the late nineteenth century. Students should be able to **explain** how businesses grew and **compare** the roles and strategies of Rockefeller and Carnegie. Assessments may also ask students to **interpret** the various business ideologies and **infer** their impact on the growth of business. Students should be able to **explain** the availability of consumer goods and the rising standard of living, **compare** its impact on various members of the society and **infer** its impact on the overall health of the economy. Students should be able to **interpret** maps, graphs and political cartoons and **infer** their relationship to information about the time period.